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CENTRAL INTELLIGENCE BULLETIN



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CENTRAL INTELLIGENCE BULLETIN

25X1

13 February 1959

DAILY BRIEF

I. THE COMMUNIST BLOC

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OK USSR-Nepal: A Soviet delegation arrived in Nepal on 13 February for talks on economic and technical assistance. King Mahendra committed himself to accept Soviet aid during his visit to Moscow in June 1958, but he has since lost enthusiasm for Soviet assistance and will probably be cautious in accepting Soviet aid offers. [redacted]

(Page 1)

25X1

II. ASIA-AFRICA

OK Middle East oil: Price cuts in Middle East oil may be imminent. This development, following the recent cut in the Venezuelan crude price resulting from the current world-wide oversupply of oil, is likely to dismay Arab government officials. The Arab governments have actually planned on larger oil revenues. Arab pressure for more favorable profit-splitting will increase, and forces favoring greater participation in the oil company operations will be strengthened. [redacted]

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OK Tunisia-France: Tunisia's disclosure of a French espionage network in Tunis probably will result in a substantial deterioration of its relations with France. Tunisia has dismissed all French employees in its Postal, Telephone, and Telegraph system and may abrogate the technical aid agreement concluded last August to modernize Tunisia's telecommunications. [redacted]

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III. THE WEST

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France: [Paris intends to propose to the North Atlantic Council that the NATO area of responsibility be extended to include the Sahara. France's future relations with NATO may largely be determined by the council's reactions to the proposal. Premier Debré recently emphasized that unless France obtains NATO backing for its Algerian policies it would be compelled to maintain its NATO-committed Mediterranean naval units "separately." De Gaulle, however, explained that such units would "rush" to join NATO forces in case of war.]

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LATE ITEM

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*USSR-Iran: Moscow has acted quickly to establish a record designed to justify retaliatory moves against the Shah's regime by broadcasting a Soviet memorandum handed to the Iranian foreign minister in Tehran on 10 February, following the breakdown of negotiations for a nonaggression pact. The lengthy memorandum

13 Feb 59

DAILY BRIEF

ii

25X1

describes in detail Soviet efforts to meet the Shah's initiative by accepting Iran's initial draft and by conceding that Iran could remain in the Baghdad Pact. Moscow charges, however, that the decision of the Shah's government to renounce its own proposals was "prompted by the Americans," and marks a "turning point" in Soviet-Iranian relations. In reminding Tehran that the 1921 Treaty of Friendship obligates Iran "not to permit the conversion of its territory into a base for military action against the USSR," the memorandum suggests that Moscow is prepared to denounce a US-Iranian bilateral defense agreement as a violation of the treaty.

IV. SIGNIFICANT INTELLIGENCE REPORTS AND ESTIMATES

(Available during the preceding week)

Implications for the Free World and the Communist Bloc of
Growing Nuclear Capabilities. NIE 100-5-59. 3 February 1959.

Consequences of a Soviet-Iranian Nonaggression Pact.
SNIE 34-2-59. 3 February 1959.

13 Feb 59

DAILY BRIEF

iii

I. THE COMMUNIST BLOC

Soviet Delegation to Begin Economic Assistance Talks in Nepal

Moscow has announced that a Soviet delegation arrived in Nepal on 12 February to open talks on economic and technical assistance. King Mahendra had committed himself to accept Soviet aid during his visit to the USSR in June 1958 and had agreed that, after study of specific assistance projects, his government would negotiate final details with a team of Soviet experts. However, Mahendra apparently had been discouraging the visit of the Soviet delegation

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The Soviet offers, renewed during a visit to Katmandu by the Soviet ambassador in early December, reportedly involve a variety of projects, including roads and road-building equipment, a hydroelectric plant, and civil air assistance. Moscow would lend Nepal up to \$7,500,000 to finance the cost of the projects.

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The Soviet announcement of the delegation did not refer to the subject of a visit to Nepal by President Voroshilov. Moscow has reportedly exerted heavy pressure on Katmandu for the long-planned visit following Voroshilov's trip to India starting 24 February, but Katmandu has attempted to put it off until next fall, using as an excuse the parliamentary elections scheduled to be held between 18 February and 3 April under the new constitution.

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II. ASIA-AFRICA

Impending Price Cuts in Middle East Oil

Plans of Western oil companies to cut prices of Middle East crude 5 to 10 percent within the next few days probably will set off a round of demands by area governments for a larger share of the profits in an effort to stave off revenue losses.

The threat of price cuts, the first since 1953, comes at a time when Arab governments are demanding continued substantial production increases and a larger say in company operations. The reaction probably will be most severe in Saudi Arabia, which has experienced only moderate increases in revenues during the past two years in comparison with other Middle Eastern countries. Saudi Arabia's [redacted] director of petroleum affairs last week indicated that his government was considering ways to put pressure on the Arabian-American Oil Company (Aramco) to assure a continually rising income.

Cuts in the posted prices of Middle East crudes would be in reaction to cuts in Venezuela last week and reflect the world oversupply of crude oil. In recent years, Middle East output has been increasing at a faster rate than world demand, causing production declines or relatively slower rates of growth in other parts of the free world.

This pattern, however, apparently now is due for a change. Petroleum consumption in the free world is expected to grow between 5 and 10 percent annually over the next few years. Since the remainder of the free world's oil producers are seeking a larger share of this increase, expansion of Middle East output presumably will have to be curtailed. Coupled with lower revenues from lower prices, this condition is likely to increase tensions between the companies and the local governments in the area. [redacted]

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Tunisia's Relations With France Again Deteriorate

Disclosures regarding the operations in Tunisia of a French espionage network--together with President Bourguiba's claim to a portion of the Sahara and the French shelling on 9 February of a Tunisian village--probably will result in a substantial deterioration in Tunisia's relations with France. The espionage network involved some Tunisians as well as French telephone and embassy employees. It is reported to have been directed by an assistant French military attaché, and to have sought information on Algerian rebel activities and contacts with high Tunisian officials by tapping telephone lines, including Bourguiba's telephone.]

The Tunisian secretary of interior claims that the network operated under cover of a French technical assistance program concluded in August. Under this program, France was to expend \$1,640,000 toward the replacement of the Tunisian telephone system. This project and a contract let to a French firm in November may both be terminated.]

Part of the emphasis Tunisia is placing on these disclosures may be the result of France's refusal last month to transfer Tunisia's franc zone holdings to Tunisian control and to underwrite Tunisian financial losses incurred by the devaluation of the French franc. The incident will be used to reduce still further France's influence and control in Tunisia. The dismissal of all French employees in the postal, telephone, and telegraph system--all of whom were under contract--was such a move, and will win popular acclaim because of widespread unemployment among Tunisians. Bourguiba probably will also demand a substantial reduction in the 650-man French Embassy staff. [REDACTED]

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III. THE WESTFrance to Propose Extension of NATO Area to Include Sahara

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The French Foreign and Defense ministries have drafted a proposal to extend the **NATO** area of responsibility to include the "whole of the Sahara,"

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The French definition of "Sahara" appears to be in geographical terms, in view of De Gaulle's previous private allusions to extending the **NATO** area to the Sahara "as far as the Red Sea." The new proposal stems from official French views that **NATO** is being outflanked to the south and that **NATO** support of France in North Africa, particularly in Algeria, is vital not only to France but to the whole Western world. French attitudes toward Egyptian President Nasir suggest that the proposal is also conceived in part as blocking further Egyptian influence.]

Premier Debré bluntly told Secretary Dulles on 6 February that unless France was backed in its Algerian policy it would retain its Mediterranean naval units "separately." De Gaulle assured Dulles, however, that the French fleet would "rush" to **NATO** and become part of **NATO** forces in case of war. Algeria was removed from **NATO** military jurisdiction in 1954 at France's request.]

{ De Gaulle has previously criticized the "inadequacy" of present **NATO** naval command arrangements covering the Mediterranean and Atlantic communications between France and North Africa, and has indicated his desire that a new naval command be established combining these areas under a French officer. Debré told General Norstad in late January that France's]

allies did not fully appreciate the contribution France was making to the alliance by its effort in Algeria.)

(The vehemence with which the French are presenting these views suggests that Allied reaction will be a major determinant in France's attitudes toward future relations with NATO.)

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LATE ITEM

Soviet reaction to breakdown of talks with Iran

The USSR's initial reaction to the breakdown of negotiations with Iran for a nonaggression pact attempts to establish a record designed to justify retaliatory moves against the Shah's regime. On 12 February Moscow broadcast to Iranian listeners and its home audience a Soviet memorandum handed to the Iranian foreign minister in Tehran which sets forth a step-by-step account of the negotiations. After describing Soviet efforts to meet the Shah's initiative for a pact, the memorandum charges his government with following "an evil game" in order to mislead public opinion, particularly in Iran.

The memorandum points out that the USSR not only accepted Iran's initial draft of a treaty, but also conceded that Iran might remain in the Baghdad Pact and was even willing to discuss revision of the Soviet-Iranian 1921 Treaty of Friendship.

Moscow claims that the decision of the Shah's government to renounce its own proposals--a point repeated several times--was "prompted by the Americans," and marks a "turning point" in Tehran's relations with the USSR. According to the memorandum, this decision is proof of a "hypocritical and insincere policy" toward the USSR which will lead to "serious consequences."

The memorandum foreshadows other bloc moves aimed at discrediting the Shah and stimulating apprehension and discord within Iran. The broadcast renews Soviet accusations that the Shah's regime does not represent either the national interests of Iran or the aspirations of the Iranian people.

The memorandum also reminds the Iranian Government that it is obligated under the 1921 Treaty of Friendship "not to permit the conversion of its territory into a base for military action against the USSR." This suggests that Moscow is prepared to condemn a US-Iranian bilateral defense agreement as a violation of the treaty.

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